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CIA-RDP90G01353R001200090002-2

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17 August 1988

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

SUBJECT: An Evaluation of DI Reporting on Iran's Acceptance of a
Cease-fire in the Iran-Iraq War

1. Action: None, for your information.

2. Attached is an evaluation by the Product Evaluation Staff of the Directorate of Intelligence's analysis of Iranian determination to continue the war. I thought it would be useful to see how well we did in assessing the pressures on Iran to end the war before its acceptance of the UN resolution in July. I think this is a pretty good assessment. If anything, it relies a bit too much on the clarity of hindsight. We did not have a clear enough insight into the factional debate that must have been going on in Iran before the acceptance of the resolution. But I would guess that the outcome of that debate was not all that certain. I found the short extracts in the Annex to be very useful in understanding the evolution of our analysis. [redacted]

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3. One thing that did confuse us was the downing of the Iranian airliner. We assessed that this incident would cause the Iranians to take a harder line against the US and in the war itself. The shootdown clearly did not have that effect. In fact, it probably was a relatively minor incident from the Iranian perspective. [redacted]

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4. I would be interested in any comments you might have.

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[redacted]

Richard J. Kerr
Deputy Director for Intelligence

Attachment:

[redacted]

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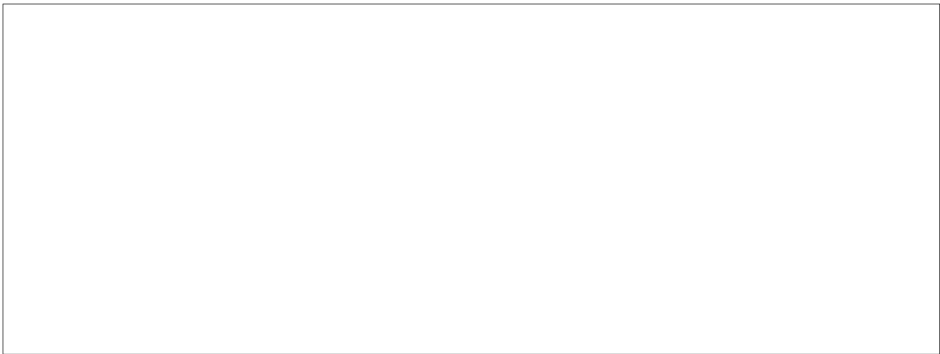
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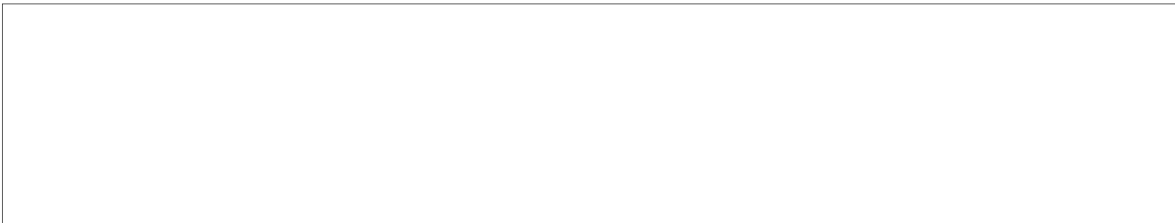
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IRANIAN ACCEPTANCE OF A CEASE-FIRE IN THE IRAN-IRAQ WAR
AN ASSESSMENT

Product Evaluation Staff
August 1988



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KEY FINDINGS

DI analysts did not predict that the Iranian government would accept an unconditional cease-fire. What they did, between 1 January and 20 July 1988, in numerous intelligence assessments, NID and PDB pieces, typescripts and research papers, was to document clearly Iran's declining fortunes in its war with Iraq. They showed how military setbacks, economic problems, and diplomatic failures had combined, by July, to place Tehran under considerable pressure and to reduce its options significantly.

In addition, beginning in April, analysts began to deal with the possibility of change in Iranian thinking about the war. Though a majority continued to believe that only a threat to the regime's survival could bring Iran to the negotiating table, a minority view was put forward in May and June that Tehran was ready to talk if its conditions were addressed. These competing views were probably mirrored in discussions taking place among the Iranian leadership throughout the period.

In the end, we acknowledge the difficulty--perhaps the impossibility--of forecasting when the Ayatollah Khomeini might be persuaded, in his own words, to "take poison." More attention, we feel, might have been paid to the role of Rafsanjani, about whom enough was probably known to speculate that he was both willing and able to change the Ayatollah's mind. Also, DI analysis seemed to us at times to imply an almost limitless ability of the Iranians to endure suffering and to assume that adversity builds resistance rather than resignation.

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SCOPE OF THE STUDY

For this study, we assessed DI products--current intelligence, intelligence assessments, research papers, typescript memoranda, serial publications, and the talking points and background papers that served as the basis for oral briefings. We also reviewed appropriate Interagency Intelligence Memoranda. The period under review was 1 January 1988 through 20 July 1988.

The annex is a chronology of significant intelligence judgments contained in DI production.

THE ISSUES

In reviewing the material we focused on the following:

- What were the key analytical themes and were the judgments effectively and consistently presented?
- Was the DI generally correct in its interpretation of events and its assessments?
- How timely and complete was the DI analysis?
- How well did we predict future developments, specifically Iran's decision to accept the cease-fire?

COVERAGE

Analysts working on Iran and Iraq provided extensive coverage during the reporting period. Finished intelligence was produced primarily by the Office of Near East and South Asian Analysis (NESA), but the Office of Leadership Analysis (LDA) and the Office of Global Issues made significant contributions.

--The NID and the PDB published articles frequently throughout the period and situation reports during the important phases of the war. Seventeen "special analyses" treated significant analytic themes.

--The offices produced 17 typescript memoranda.

--Eleven articles appeared in the serial publications, primarily the NESA Review.

--Two intelligence assessments, one intelligence report and one reference aid were published; an additional intelligence assessment will be published shortly.

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--With LDA in the lead, a considerable effort was made to describe key Iranian players, assess how they were likely to behave, and to predict how changes in Iran might affect their prospects.

--An interagency intelligence memorandum was produced in April.

--Numerous talking points and background papers were provided.

We judge that this ample coverage provided key decisionmakers with a clear view of the day-to-day events of the war and insights into how the contending parties were likely to interpret and react to them. In our view, the analysts provided especially useful material on developments affecting US interests in the region.

ANALYSIS AND PREDICTION

It goes almost without saying that we did not predict that the Iranian government would change an "article of faith" it had clung to for eight years and accept an unconditional cease-fire. It was a bitter pill for Teheran, and especially the Ayatollah Khomeini, to swallow, as he made clear when he stated that he "would sooner take poison." As with most ideas whose time has come, it probably simmered for a considerable period as an opposing view, was rejected at every turn, and, finally, found acceptance by the sheer weight of necessity. Only a source within Iran's inner circle would likely have been able to provide us with warning of the change and probably only by a matter of days.

What DI analysts showed clearly in the publications was how the pendulum swung from a tolerable situation for Iran at the beginning of the year to a very difficult one by July.

The Ground War: DI analysts clearly described the various successful Iraqi offensives this year and assessed the impact on Iranian forces. They noted frequently the low morale, interforce frictions, lack of equipment and supplies, difficulty in recruiting, and poor training and leadership. These negative factors were effectively contrasted with the growing esprit of Iraqi forces. A particularly useful effort was made to focus on the employment of chemical warfare by the Iraqis and its impact on the conduct of the conflict.

The Persian Gulf and the US: The publications chronicled Iran's futile efforts to force the US and its allies out of the Gulf both by diplomatic and military means.

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The Economy: At the beginning of the year, it appeared that the Iranians would be capable of muddling through for the indefinite future. But in the ensuing six months, DI analysis focused on the increasingly serious economic problems confronting the regime. Among these were the impact of the declining dollar on oil revenues, the oil glut, the failure of Iran to refurbish its oil industry, the damage caused by Iraq, and the increasing difficulty the regime was having in funding the war.

The War of the Cities: The publications detailed both the economic damage caused by Iraqi missiles and aircraft and the impact the attacks were having on Iranian morale. In particular, DI analysts noted that anti-government demonstrations, apparently provoked by fear caused by the raids, and the inability of the regime to respond in kind were a source of increasing concern to the Iranian government.

Failure on the Diplomatic Front: DI analysts pointed out the continuing inability of Iran to promote its view of Iraq as the aggressor.

ANALYTICAL THEMES

DI analysis on the war proceeded on the (correct) assumption that Iran would not/could not change policy unless Khomeini blessed the new approach. Nevertheless, as the "war of the cities," the Iraqi victories, humiliation in the Gulf, and economic difficulties began to tell, analysts began to deal with the possibility of change.

In April, analysts had stated that:

--Iran will be more revenge-minded than cowed
(typescript, DCI talking points).

--The regime is unlikely to change its policies unless popular discontent increases to the point that it begins to threaten the clerics' survival (PDB/NID special analysis).

--Iran will be able to cope with its economic problems
(typescript, NESAs Review).

By the beginning of May, however, a majority view in a research paper noted that:

--Costly defeats in the ground fighting, such as the loss of Al Faw in April, would be the scenario most likely to cause serious movement toward negotiations.

And a minority argued that:

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--Iran has already reached the stage where it is ready to negotiate a settlement.

At the end of May (in a typescript) analysts noted that political and military events had turned the course of the war against Iran but still concluded that:

--Iran is unlikely to agree to negotiations to end the war while Iraq appears to have the initiative in the ground war and Iran is on the defensive.

A day later (in another typescript) the emphasis was on the many difficulties facing the regime, with the judgment that:

--A prolonged renewal of the Iraqi missile strikes against Iranian cities--especially given recent military setbacks--could combine with economic stress and erode popular support sufficient to cause the regime to think more seriously about moderating its war policy.

In a June typescript, we dealt directly with the question of Iranian acceptance of UN Resolution 598. Noting the majority view among analysts that apparent Iranian flexibility on the issue was really a stalling tactic, it advanced a minority view that:

--Iran is willing to accept a cease-fire if its conditions are addressed.

The US downing of an Iranian airliner in early July put a temporary halt to the evolving line that change was possible. On 5 July, in a typescript, we said that:

--The shootdown almost certainly will lessen Iranian willingness in the near term to show further flexibility regarding the terms for a cease-fire in the war under UN Resolution 598.

And on 13 July, after more Iraqi military victories, we judged in DCI talking points that:

--Iran probably is even less willing than previously to enter negotiations because of its weakened negotiating position.

In a typescript dealing with Khomeini's leadership on 15 July, however, we returned to the prospect of change by saying that:

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--Should Iran's leadership conclude that the revolution itself was being endangered by continuing the war, Rafsanjani and his radical allies might be willing to wind down the conflict, despite Khomeini's preferences, in order to preserve the Islamic government.

The conflicting themes in our analysis--increasing incentive for Iran to change and steadfast reluctance to do so--in their own way probably conveyed an accurate reflection of the corporate schizophrenia among Iranian leaders, with various factions apportioning different weight to one theme or another.

TWENTY-TWENTY HINDSIGHT--THE CLEAREST VIEW

Whether it was possible, in these circumstances, to forecast that Khomeini would be persuaded to agree to negotiations--and specifically Resolution 598--is arguable. Clearly, it is hard to predict how bad things have to get before a man will take poison. In this regard, DI analysis sometimes seemed to us to imply an almost limitless ability of the Iranians to endure suffering, and to assume that adversity builds anger and resistance (as it did in London during the Blitz) rather than resignation.

In retrospect, more attention might have been given to Rafsanjani's remarkable accumulation of power (culminating with the official announcement on 2 June that he had been made commander-in-chief of the armed forces and given authority over war industries, the judicial system, and the mass media as well) and the implications of this in light of all that was known--and had been duly reported--about Rafsanjani. The more so, given Khomeini's deteriorating health and susceptibility to manipulation--also duly reported.

DI analysts had documented Rafsanjani's ascendance to "number-two" status. We were aware that he was not as "radical"--at least on the issue of ending the war--as the "radical allies" with whom DI production almost invariably associated him. LDA had described him in a 1987 assessment as a man who was pragmatic, clever, and an acknowledged master at gaining and keeping power. An OGI report in May portrayed him as a multimillionaire with a clear stake in the regime's survival. His ties to Khomeini's son were also well documented. And in his speech after the downing of the Iranian airliner, he took a surprisingly cautious attitude on how to respond.

Rafsanjani just might have been seen, in this context, as not only willing but able to change the mind of the increasingly feeble and vulnerable Ayatollah. Maybe.

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RECOMMENDATIONS/SUGGESTIONS

--Managers and analysts can still do a better job of stepping back from day-to-day events to view the "big picture."

--An effort should be made to draw all of the appropriate offices together as key players on difficult analytical problems.

--Well reasoned minority views should more often be reflected in publications, such as the PDB and NID, that go directly to policymakers.

// I strongly
agree with
this.

and talking points for meetings

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